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SUBJECT Taxes in Kwangtung Province

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THIS IS UNEVALUATED INFORMATION

- 25X1 1. The present policy of the Communist government in rural Kwangtung areas is to assess a tax in kind, amounting to 25 percent of the crop, on all producing land\*. Inspectors are sent into the countryside to estimate the production of each unit of land and to make assessments. In addition to this tax levied on the farm lands, there are other assessments which take the form of enforced "loans." In villages where land is owned by the tillers the assessments are only nominal, but in villages where there is much landlordism, the "loan" may run as high as 100 percent of the entire crop.
2. The most productive areas in Kwangtung are those where landlordism is very high. In such areas considerable capital is invested in such things as irrigation facilities, fertilizer, and improved seeds. The enforced "loan" is depriving productive areas of capital and a decline in production will ensue. This will have a pervasive effect, for it is difficult to restore productivity to land when fertilization and irrigation are neglected for any considerable period. In some districts near Canton the fear of high taxes has reduced sugar cane planting by 30 to 50 percent. These districts are the principal sugar producers on the China mainland, and this reduction in cane planting will sharply decrease sugar stocks for both human consumption and industrial use.
3. In Canton, besides the normal real estate taxes which the new government is continuing, heavy taxes are assessed on business in the form of forced loans of 15 billion dollars in Jen Min Piao (JMP)\*\*. The distribution of the burden of the loan was decided on by the Communist authorities and the Canton Chamber of Commerce. Twenty-five percent of the loan was held on banks, exchange shops, pawn shops, and gold dealers. The average small business was charged about HK\$1,000, the normal monthly gross. The new government has said that it does not know when it can repay this loan, and individuals and firms unable to meet their assigned quota will have their assets seized.
4. Only 60 percent of the loan had been paid several weeks after its dateline. Although no figures are available on the number of firms which have gone out

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of business, many mercantile and industrial establishments have closed their doors and disposed of their assets. Canton economists estimate that industrial production in Canton will fall 10 to 15 percent below that of 1949.

5. Canton municipal authorities explain their fiscal policy by stating that:
- a. They wish to "top up" all Hong Kong currency in the community and enforce the substitution of Jen Min P'iao (JMP).
  - b. Large sums of money must be raised to support the army.
  - c. The people of Canton were cold and hostile when the Communist occupied the city, and they must now suffer for it.
6. The municipal authorities in Canton estimate that figures for unemployment are between 25 and 30 percent more than under the Nationalist regime. They are greatly concerned over this trend, and are making every effort to conceal this estimate. The burden of urban taxation for Canton appears to be duplicated in the other cities and larger towns of the province. In addition to the assessments mentioned above, both in Canton and in other places, there are numerous small, temporary taxes arbitrarily levied.

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Comment. [redacted] the amount of loan was given as 15 million. Fifteen billion is probably correct, as this figure appears in the Canton newspapers. This loan when converted amounted to about US\$750,000 on 17 December 1949.